

Message Text

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44

ACTION ARA-20

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 DRC-01 /154 W

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R 021519Z OCT 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 2686

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 6505

E.O. 11652: GDS

TAGS: EINV, ENRG, EC

SUBJ: TEXACO-GULF PROBLEMS

REF: QUITO 6474

1. DCM AND EMBOFF CALLED ON GULF VP BERNARDO DIAZ OCTOBER 1 TO GET HIS VIEWS ON TEXACO-GULF PROBLEMS. DIAZ EXPLAINED THAT HE WAS NEVER AS CONVINCED ABOUT THE THREAT TO THE TEXACO-GULF INVESTMENT AS TEXACO, VP SHIELDS IN PARTICULAR, HAD BEEN. HE SAID THAT THE CONCERN AROSE BECAUSE OF REMARKS BY CEPE MANAGER COL. RENE VARGAS AT A MEETING WITH TEXACO AND GULF MANAGERS ABOUT A MONTH AGO. AT THAT MEETING VARGAS EXPRESSED THE GOE'S DESIRE TO MAKE A BUYBACK ARRANGEMENT ON PARTICIPATION CRUDE AND MENTIONED THE FIGURES 93 AND 95 PERCENT OF REFERENCE PRICE. HE TOLD THE MANAGERS THAT IF THE CONSORTIUM DID NOT COME TO TERMS, THE ARMED FORCES WERE PREPARED TO TAKE VERY STRONG ACTION UP TO AND INCLUDING NATIONALIZATION OF THE INVESTMENT WITHOUT COMPENSATION. SINCE NO HIGH GOE OFFICIAL HAD TOSSED OUT SUCH A THREAT BEFORE, THE MANAGERS WERE GREATLY TAKEN ABACK. THEY FEARED THAT THE GOE MIGHT BE ABOUT TO UNILATERALLY DECREE
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A BUYBACK, NATIONALIZATION OR WHATNOT. TEXACO

MANAGER MARTINEZ WAS VERY DISTRESSED AND CONTACTED HIS HEADQUARTERS IN CORAL GABLES IMMEDIATELY. DIAZ WENT BACK TO VARGAS PRIVATELY A WEEK LATER. AT THAT TIME VARGAS AMENDED HIS STATEMENTS, SAYING THAT HE MEANT HE WAS PREPARED TO RECOMMEND STRONG ACTION TO THE ARMED FORCES IF TEXACO-GULF DID NOT COME TO TERMS ON BUYBACK.

2. FOLLOWING SEPTEMBER 30 MEETING OF TEXACO AND GULF REPS WITH MIN NAT RES JARRIN, DIAZ SHARES THE SENSE OF GREATER OPTIMISM EXPRESSED BY TEXACO REPS TO AMBASSADOR (REFTEL). HE BELIEVES THAT THE GOE RECOGNIZES THAT IT NEEDS THE COMPANIES, THAT IT IS NOT MOVING TO NATIONALIZE, AND THAT THERE IS A GROWING AWARENESS WITHIN THE GOE OF THE ECONOMIC REALITIES THAT THE COMPANIES MUST FACE IN MARKETING PETROLEUM. TO BE SURE, HE EXPECTS THE GOE TO CONTINUE TO SQUEEZE ALL IT CAN FROM TEXACO-GULF AND HE HAS NO HOPE THAT THE GOE WILL STOP SLICING THE SALAMI ANY TIME SOON. HE DETECTED, HOWEVER, SOME POSSIBLE GIVE IN THE GOE'S POSITION ON BUYBACK PRICE. JARRIN MADE REFERENCE TO THE 3.5 PERCENT TAX INCREASE DECIDED RECENTLY BY OPEC AND NOT YET IMPLEMENTED IN ECUADOR. HE SAID THAT HE WOULD LIKE TO MEET WITH THE COMPANIES AND DISCUSS ROYALTY, INCOME TAX AND BUYBACK AND LEFT THE IMPRESSION THAT A PACKAGE AGREEMENT ON THE TAX AND BUYBACK QUESTIONS COULD BE NEGOTIATED. JARRIN MADE NO MENTION AT THE MEETING OF AN INCREASED CEPE PARTICIPATION IN TEXACO-GULF.

3. DCM ASKED DIAZ ABOUT CEPE'S NON-PAYMENT FOR PARTICIPATION, COSTS OF OPERATION AND OIL FOR DOMESTIC USE. DIAZ DID NOT HAVE A SPECIFIC EXPLANATION FOR THE CONTINUING DELAY ALTHOUGH HE COMMENTED THAT ECUADOREANS KNOW THE VALUE AND COST OF MONEY AND HAVE NEVER BEEN VERY TIMELY ABOUT PAYING. HE SAID THAT HE HAS HEARD, BUT ONLY UNOFFICIALLY, THAT THERE IS A DRAFT DECREE WHICH WOULD MAKE \$10 MILLION AVAILABLE TO CEPE FOR IMMEDIATE PAYMENT ON PARTICIPATION AND A SECOND \$10. MILLION TO BE PAID IN INSTALLMENTS UNTIL JUNE 1975 WITH THE FINAL TWO PAYMENTS SUBJECT TO THE GOE'S FINAL
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AUDIT OF THE VALUE OF THE 25 PERCENT PARTICIPATION. HE COMMENTED THAT IF THE \$10 MILLION PAYMENT DOES COME THROUGH IT WILL GREATLY HEARTEN CORAL GABLES AND PITTSBURGH.
BREWSTER

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